

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 /148 R

DRAFTED BY EB/OT/STA:W T DIROLL:CMS
APPROVED BY EB/OT/STA:J S SPIRO
STR:R SPAR
STR:T STEWART
STR:M HATHAWAY
ITC:J BOYD
ITC:J MCHATTON
ITC:L REAVIS

-----004990 271753Z /41

R 270114Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY SEOUL
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY STOCKHOLM
AMEMBASSY DUBLIN
USMISSION GENEVA
AMCONSUL DUSSELDORF

UNCLAS STATE 135673

E.O. 11652:N/A

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TAGS: ETRD

SUBJECT: STAINLESS STEEL FLATWARE: USITC REPORTS ITS
DETERMINATION TO THE PRESIDENT

REFS: (A) STATE 87866, (B) STATE 108251

1. THE UNITED STATES INTERNATIONAL TRADE COMMISSION
(USITC) REPORTED TO THE PRESIDENT MAY 8 THAT IT HAD
DETERMINED THAT STAINLESS STEEL FLATWARE (KNIVES, FORKS,

SPOONS AND LADLES, WITH STAINLESS STEEL HANDLES, PROVIDED FOR IN ITEMS 650.08, 650.09, 650.10, 650.12, 650.38, 650.39, 650.40, 650.42, 650.54, 650.55 AND, IF INCLUDED IN SETS, 651.75 OF THE TARIFF SCHEDULES OF THE UNITED STATES) IS BEING IMPORTED INTO THE UNITED STATES IN SUCH INCREASED QUANTITIES AS TO BE A SUBSTANTIAL CAUSE OF SERIOUS INJURY OR THREAT THEREOF TO THE DOMESTIC INDUSTRY PRODUCING AN ARTICLE LIKE OR DIRECTLY COMPETITIVE WITH THE IMPORTED ARTICLE.

2. THE COMMISSION RECOMMENDED TO THE PRESIDENT THAT HE PROVIDE RELIEF IN THE FORM OF INCREASED TARIFF RATES FOR A PERIOD OF FIVE YEARS. THE EXISTING COLUMN ONE (MFN) AND PROPOSED NEW INCREASED RATES ARE AS FOLLOWS:

A. KNIVES AND FORKS VALUED AT LESS THAN 25 CENTS EACH (TSUS ITEMS 650.08, 650.10, 650.38 AND 650.40).

(I) EXISTING COLUMN ONE (MFN) RATES:

ITEMS 650.08 AND 650.38:

ONE CENT EACH PLUS 12.5 PERCENT AD VALOREM

ITEMS 650.10 AND 650.40:

ONE CENT EACH PLUS 17.5 PERCENT AD VALOREM

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(II) RECOMMENDED HIGHER TARIFFS:

FIRST YEAR--ONE CENT EACH PLUS 55 PERCENT AD VALOREM

SECOND YEAR--ONE CENT PLUS 50 PERCENT AD VALOREM

THIRD YEAR--ONE CENT EACH PLUS 45 PERCENT AD VALOREM

FOURTH YEAR--ONE CENT EACH PLUS 40 PERCENT AD VALOREM

FIFTH YEAR--ONE CENT EACH PLUS 30 PERCENT AD VALOREM

B. KNIVES AND FORKS VALUED AT 25 CENTS OR MORE BUT LESS THAN SIXTY CENTS EACH (ITEMS EX 650.09, EX 650.12, EX 650.39 AND EX 650.42)

(I) EXISTING COLUMN ONE (MFN) RATES:

ITEMS 650.09 AND 650.39

ONE HALF CENT EACH PLUS 6 PERCENT AD VALOREM

ITEMS 650.12 AND 650.42

ONE HALF CENT EACH PLUS 8.5 PERCENT AD VALOREM

(II) RECOMMENDED HIGHER TARIFFS:

FIRST YEAR--ONE HALF CENT EACH PLUS 55 PERCENT AD VALOREM

SECOND YEAR--ONE HALF CENT EACH PLUS 50 PERCENT AD VALOREM

THIRD YEAR--ONE HALF CENT EACH PLUS 45 PERCENT AD VALOREM

FOURTH YEAR--ONE HALF CENT EACH PLUS 40 PERCENT AD VALOREM

FIFTH YEAR--ONE HALF CENT EACH PLUS 30 PERCENT AD VALOREM

C. SPOONS AND LADLES VALUED LESS THAN 60 CENTS EACH (ITEMS 650.54 AND EX 650.55)

(I) EXISTING COLUMN ONE (MFN) RATE:

ITEM 650.54--17 PERCENT AD VALOREM

ITEM 650.55--8.5 PERCENT AD VALOREM

(II) RECOMMENDED HIGHER TARIFFS:

FIRST YEAR--55 PERCENT AD VALOREM

SECOND YEAR--50 PERCENT AD VALOREM

THIRD YEAR--45 PERCENT AD VALOREM

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FOURTH YEAR--40 PERCENT AD VALOREM

FIFTH YEAR--30 PERCENT AD VALOREM

D. SETS (ITEM 651.75)

KNIVES, FORKS AND SPOONS AND LADLES HAVING STAINLESS STEEL HANDLES WILL CONTINUE TO BE DUTIABLE AT THE RATE OF DUTY APPLICABLE TO THAT ARTICLE IN THE SET SUBJECT TO THE HIGHEST RATE OF DUTY INCLUDING, FOR SUCH ARTICLES VALUED UNDER 60 CENTS, THE PROPOSED NEW RATES.

E. EFFECT OF PROPOSED HIGHER TARIFFS

IN 1977 THE WEIGHTED AVERAGE AD VALOREM EQUIVALENT OF THE EXISTING RATES OF DUTY APPLYING TO STAINLESS STEEL FLATWARE WAS ABOUT 17 PERCENT. UNDER THE PROPOSED HIGHER RATES THE AVERAGE AD VALOREM EQUIVALENT WOULD BE AS FOLLOWS:

FIRST YEAR--59 PERCENT

SECOND YEAR--54 PERCENT

THIRD YEAR--49 PERCENT

FOURTH YEAR--44 PERCENT

FIFTH YEAR--34 PERCENT

3. THE COMMISSION'S REPORT INDICATES THAT IMPORTS HAVE INCREASED, DOMESTIC PRODUCTION HAS DECLINED, AND AS A RESULT, IMPORTS NOW SUPPLY A LARGER SHARE OF UNITED STATES MARKET THAN FORMERLY AS SHOWN IN THE FOLLOWING TABULATION (UNITED STATES PRODUCERS SHIPMENTS, IMPORTS AND APPARENT CONSUMPTION-QUANTITY IN 1,000 DOZEN UNITS; RATIO OF IMPORTS OF CONSUMPTION IN PERCENTAGE POINTS).

1973--U.S. PRODUCERS SHIPMENTS 21,369; IMPORTS 30,650;

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APPARENT CONSUMPTION 51,750, AND RATIO OF IMPORTS TO CONSUMPTION 59.2

1974--U.S. PRODUCERS SHIPMENTS 20,934; IMPORTS 32,784;

APPARENT CONSUMPTION 53,479, AND RATIO OF IMPORTS TO

CONSUMPTION 61.3

1975--U.S. PRODUCERS SHIPMENTS 16,504; IMPORTS 28,902;
APPARENT CONSUMPTION 45,272, AND RATIO OF IMPORTS TO
CONSUMPTION 63.8

1976--U.S. PRODUCERS SHIPMENTS 15,989; IMPORTS 40,980;
APPARENT CONSUMPTION 56,824, AND RATIO OF IMPORTS TO
CONSUMPTION 72.1

1977--U.S. PRODUCERS SHIPMENTS 15,727; IMPORTS 47,855;
APPARENT CONSUMPTION 63,447, AND RATIO OF IMPORTS TO
CONSUMPTION 75.4

4. THE REPORT ALSO SHOWS THAT THE NUMBER OF PRODUCTION
AND RELATED WORKERS ENGAGED IN THE PRODUCTION OF STAINLESS
STEEL FLATWARE AND MAN HOURS WORKED HAS SHOWN A GENERAL
DECLINE (MAN HOURS IN THOUSANDS):

1973--3196 WORKERS, 4961 MAN HOURS
1974--3245 WORKERS, 5003 MAN HOURS
1975--2531 WORKERS, 3648 MAN HOURS
1976--2463 WORKERS, 3566 MAN HOURS
1977--2384 WORKERS, 3595 MAN HOURS

5. IN ADDITION, THE REPORT SHOWS THAT THE INDUSTRY'S NET
OPERATING PROFITS AND THE RATIO OF NET OPERATING PROFIT TO
NET SALES ARE AT LOWER LEVELS (NET OPERATING PROFITS IN
DOLLARS 1,000; RATIO OF OPERATING PROFIT TO SALES IN
PERCENTAGE POINTS):

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1973--NET OPERATING PROFITS OF 6,524; RATIO OF NET
OPERATING PROFIT TO NET SALES 8.5

1974--NET OPERATING PROFITS OF 6,764; RATIO OF NET
OPERATING PROFIT TO NET SALES 8.4

1975--NET OPERATING PROFITS OF 4,193; RATIO OF NET
OPERATING PROFIT TO NET SALES 4.9

1976--NET OPERATING PROFITS OF 5,170; RATIO OF NET
OPERATING PROFIT TO NET SALES 6.2

1977--NET OPERATING PROFITS OF 5,750; RATIO OF NET
OPERATING PROFIT TO NET SALES 6.5

6. UNITED STATES IMPORTS OF STAINLESS STEEL FLATWARE
(INCLUDING ARTICLES VALUED OVER 60 CENTS EACH) BY
PRINCIPAL SOURCES FOR THE YEARS 1975/77 ARE SHOWN IN THE
FOLLOWING TABULATION (VALUE IN MILLION DOLLARS):

1975--ALL COUNTRIES 40.0, JAPAN 21.3, KOREA 7.8, TAIWAN 5.6

1976--ALL COUNTRIES 56.8, JAPAN 27.1, KOREA 16.8,
TAIWAN 7.4

1977--ALL COUNTRIES 71.0, JAPAN 28.3, KOREA 29.6,
TAIWAN 9.9

ALMOST ALL OF UNITED STATES IMPORTS OF STAINLESS STEEL
FLATWARE IS BELIEVED TO BE COMPRISED OF ARTICLES VALUED AT
LESS THAN SIXTY CENTS A UNIT. ADDITIONAL DATA PERTAINING
TO ARTICLES VALUED AT LESS THAN 60 CENTS A UNIT ENTERING

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UNDER THE ITEMS APPLYING TO KNIVES, FORKS, SPOONS AND
LADLES AFFECTED BY THE COMMISSIONS RECOMMENDATIONS WILL BE
PROVIDED IN A SUPPLEMENTAL NOTIFICATION.

7. THE UNITED STATES HAS GRANTED CONCESSIONS IN SCHEDULE
XX ON ALL OF THE AFFECTED TSUS ITEMS. THE INITIAL
NEGOTIATING RIGHTS BY ITEM ARE AS FOLLOWS:

650.08 AND 650.38:
EEC(6)-ONE CENT EACH PLUS 12.5 PERCENT AD VAL.
UK-2 CENTS EACH PLUS 25 PERCENT AD VAL.

650.09 AND 650.39:
KENNEDY ROUND-0.5 CENTS EACH PLUS 6 PERCENT AD VAL.
EEC(6)-ONE CENT EACH PLUS 12.5 PERCENT AD VAL.
UK-2 CENTS EACH PLUS 25 PERCENT AD VAL.

650.10 AND 650.40:
EEC(6)-ONE CENT EACH PLUS 17.5 PERCENT AD VAL.
UK-2 CENTS EACH PLUS 17.5 PERCENT AD VAL.

650.12 AND 650.42:
KENNEDY ROUND-0.5 CENTS EACH PLUS 8.5 PERCENT AD VAL.
EEC(6)-ONE CENT EACH PLUS 17.5 PERCENT AD VAL.
UK-2 CENTS EACH PLUS 17.5 PERCENT AD VAL.

650.54:
EEC(6)-17 PERCENT AD VAL.
UK-20 PERCENT AD VAL.

650.55:
KENNEDY ROUND-8.5 PERCENT AD VAL.
EEC(6)-17 PERCENT AD VAL.
UK-20 PERCENT AD VAL.

651.75:

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CANADA, DENMARK, EEC(6), JAPAN, SWEDEN, UK-RATE OF DUTY APPLICABLE TO THAT ARTICLE IN THE SET SUBJECT TO THE HIGHEST RATE OF DUTY.

8. ADDITIONAL DETAILS ARE PRESENTED IN THE REPORT OF THE COMMISSION TO THE PRESIDENT, USITC PUBLICATION 884, DATED MAY 1978.

9. UNDER SECTION 202 OF THE TRADE ACT OF 1974 THE PRESIDENT HAS SIXTY DAYS FOLLOWING THE RECEIPT OF A RECOMMENDATION FROM THE USITC FOR THE PROVISION OF IMPORT RELIEF TO DETERMINE WHAT METHOD AND AMOUNT OF IMPORT RELIEF WE WILL PROVIDE OR DETERMINE THAT THE PROVISION OF

RELIEF IS NOT IN THE NATIONAL INTEREST OF THE UNITED STATES.

10. ACTION REQUESTED

A. U.S. MISSION GENEVA PLEASE TRANSMIT TEXT OF PARAGRAPHS ONE THROUGH NINE TO THE SECRETARIAT FOR CIRCULATION TO THE CONTRACTING PARTIES AS A NOTIFICATION UNDER ARTICLE XIX:2 AND EXPRESS USG READINESS TO CONSULT WITH THE CONTRACTING PARTIES AND WITH CONTRACTING PARTIES HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF STAINLESS STEEL FLATWARE TO THE UNITED STATES CONCERNING THE PROPOSED ACTION.

B. U.S. MISSION OECD PARIS MAY INFORM THE OECD SECRETARIAT. VANCE

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